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C O N F I D E N T I A L SECTION 01 OF 02 MUSCAT 000682

SIPDIS

STATE PASS TO USTR FOR DUSTR VERONEAU, J.BUNTIN,
C.HINCKLEY, AND M.MOWREY
COMMERCERCE FOR T.HOFFMAN

E.O. 12958: DECL: 09/23/2018
TAGS: [PREL](#) [ECON](#) [EFIN](#) [EINT](#) [EINV](#) [ETRD](#) [MU](#)
SUBJECT: OMAN TAKES HARD LINE STANCE ON TELECOM LICENSES;
CLOUDS FTA IMPLEMENTATION PICTURE

REF: A. MUSCAT 616
[1](#)B. MUSCAT 593

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

[1](#)1. (C) Summary: In a letter received by post on September 21, Oman's Telecommunications Regulatory Agency (TRA) defended its recent bid process to award a single, integrated telecommunications license package for multiple services (including fixed-line service) despite U.S.-Oman Free Trade Agreement (FTA) provisions requiring Oman to accept license applications for specific services from all parties that meet established criteria. The TRA further stated that any further opening of its telecommunications market, including the awarding of licenses for undefined "other services," would not take place until at least six months from the tender for the integrated license package. Oman's stubborn refusal to timely abide by its commitments on telecom licensing issues poses a major roadblock to FTA implementation that will be difficult to remove. End Summary.

[1](#)2. (C) Background: On August 11, 2008, the Omani TRA announced the opening of the bid process for an integrated "full fixed public telecommunications license" package with a minimum price tag of USD 1.3 million that included, among other things, a 25-year contract to carry a Class 1 fixed-line license and a 15-year contract to carry broadband internet services (ref B). TRA member Nashia al-Kharousiyah subsequently clarified that, although the U.S.-Oman FTA requires Oman to issue separate Class 1 licenses to compete in the fixed-line market to any company that meets standardized, cost-based criteria, the TRA would not offer such licenses until the bid process for the full fixed license package was completed and the physical framework for services was improved.

[1](#)3. (C) Background (continued): On August 20, the Ambassador sent a letter, cleared by USTR, to TRA Chairman Mohammed al-Khusaibi reminding him that the FTA requires that no limits be placed on the number of licenses issued for a particular telecom service (except for limitations resulting from scarce resources such as spectrum) and requesting an approximate date on which the TRA would begin to accept applications for specific services to all applicants that met established licensing criteria. The Ambassador's letter further expressed USG concern over the excessive licensing fees that the TRA established for different categories of service. End Background.

[1](#)4. (C) On September 21, post finally received a response from the TRA Chairman to the Ambassador's letter. Although al-Khusaibi's response stated that the TRA "has never announced any limits on the number of licenses for a certain service," it defended the full fixed public license package

offered to bidders as a "literal and substantive implementation of the spirit and text" of the FTA. It continued that this package represented a "full liberalization of this portion of the (telecom) market." The response also noted that the TRA "intends to gradually open the market for other services," but did not specify the type of services contemplated and further stipulated that the TRA would accept applications for "licenses for other services" until at least six months after forwarding the tender for the full fixed license package. Finally, al-Khusaibi stated that he did not agree that Oman's licensing fees represented a barrier to market entry, but added that the TRA would review its fee structure in comparison to "international practices" to ensure that fees did not serve as a de facto limitation on competition.

15. (C) Comment: The response letter from al-Khusaibi came as an unpleasant surprise to post, particularly since Minister of National Economy Ahmad bin Abdulnabi Macki told the Ambassador on September 15 (septel) that the letter from the TRA Chairman would be a step in the right direction towards FTA implementation. The response further appears to conflict with earlier assurance by Minister of Commerce and Industry Maqbool bin Ali bin Sultan to the Ambassador that Oman was moving forward on implementing Class 1 licensing criteria (ref A). Adding to the sting of al-Khusaibi's letter was its use of uncharacteristically harsh language in parts of the original Arabic text in refuting the Ambassador's observations on the non-compliance of Oman's telecom licensing regime with its FTA obligations.

16. (C) Comment (continued): The overall message from the

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TRA, and the senior Omani government officials who undoubtedly authorized al-Khusaibi's letter, is clear: despite our serious concerns over the potential to derail FTA implementation, Oman has nothing more to say on telecom licensing issues at this time and may actually be frustrated by our repeated attempts to move them to a more acceptable position. Post will continue to coordinate with USTR on how to move past this roadblock to finally bring the FTA into force. As a result of the letter, however, FTA implementation would now appear uncertain. End Comment.
GRAPPO